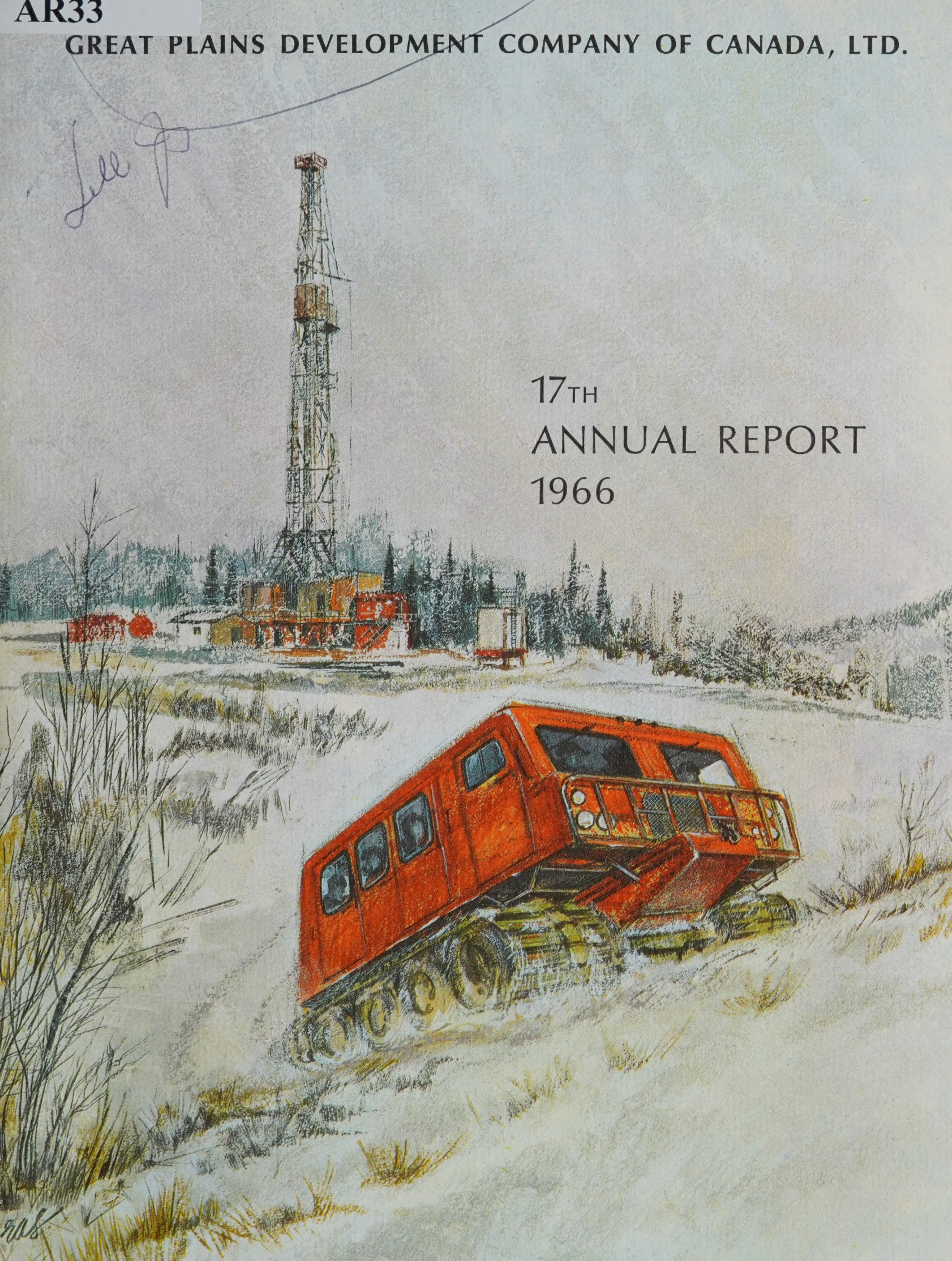


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GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

17TH
ANNUAL REPORT
1966



GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

HEAD OFFICE: 736 - 8th AVENUE S.W., CALGARY, ALBERTA

DIRECTORS

NORMAN J. ALEXANDER	Winnipeg, Manitoba
WILLIAM A. ARBUCKLE	Montreal, Quebec
T. HOWARD ATKINSON	Montreal, Quebec
ROBERT F. BUCHANAN	Calgary, Alberta
JOHN A. DRYSDALE	London, England
RANALD H. MACDONALD	New York, N.Y.
LEWIS W. MACNAUGHTON	Dallas, Texas
JOHN K. McCAUSLAND	Toronto, Ontario
DAVID E. MITCHELL	Calgary, Alberta
FREDERICK L. MOORE	New York, N.Y.
ROBERT P. SMITH	London, England
JOHN F. STRAIN	London, England
H. ROBERT TAINSH	London, England

OFFICERS

LEWIS W. MACNAUGHTON	Chairman of the Board
DAVID E. MITCHELL	President
ROBERT F. BUCHANAN	Financial Vice-President
DENNIS H. SCOTT	Secretary
EDWARD A. EARLE	Assistant Treasurer

REGISTRARS AND TRANSFER AGENTS

MONTREAL TRUST COMPANY
Montreal, Toronto, Winnipeg,
Calgary, Vancouver

THE BANK OF NEW YORK
New York, N.Y.

AUDITORS

RIDDELL, STEAD, GRAHAM &
HUTCHISON, Calgary

STOCK LISTED

TORONTO STOCK EXCHANGE

COVER: "Drilling in the North" — Painting by R. A. Saunders

PAGE 16: Northern land holdings map

INSIDE BACK COVER: Land holding areas in Canada

The Annual Meeting of Shareholders
will be held at 11:00 a.m. on Wednesday,
March 22, 1967 in the Board Room, 2nd
Floor, 1245 - Sherbrooke Street West,
Montreal, Canada.

THE YEAR IN BRIEF

FINANCIAL	1966	1965
Revenue	\$ 8,165,287	\$ 8,310,739
Net income, after provision for deferred income taxes	\$ 2,811,304	\$ 2,996,900
Per share	89¢	95¢
Dividend	\$ 1,103,152	\$ 1,103,152
Per share	35¢	35¢
Cash generated from operations	\$ 5,782,878	\$ 6,097,704
<i>At year-end</i>		
Working capital	\$ 607,727	\$ (320,594)
Long-term debt	\$ 4,778,055	\$ 3,549,165
Shares outstanding	3,151,864	3,151,864
Shareholders' equity, per share	\$ 13.39	\$ 12.84
OPERATING		
Oil and gas liquids production, net barrels	2,833,766	2,848,863
Daily average	7,764	7,805
Gas sales, net millions of cubic feet	6,818	6,656
Daily average	18.7	18.2
Sulphur sales, net long tons	6,891	8,877
<i>At year-end</i>		
Reserves, net proved:		
Oil and gas liquids, barrels	40,568,000	38,936,000
Gas, millions of cubic feet	329,000	323,000
Sulphur, long tons	478,000	380,000
Total equivalent barrels of reserves	66,325,000	63,509,000
Land holdings, net acres	7,971,958	6,671,516
Oil wells, net	280	284
Gas wells, net	32	32

REPORT TO THE SHAREHOLDERS

EXPLORATION—During the past year the exploration scene in Western Canada has undergone substantial change. Discoveries at Rainbow Lake and other areas of northwestern Alberta are causing the expenditure of large sums on new geophysical techniques and the encouragement of these major oil discoveries is stimulating intense land and drilling activity. While the potential rewards from successful exploration are very large indeed, so are the costs of participating in this type of exploration.

Largely because of these changing circumstances, much of the Company's effort during 1966 was directed towards reorganization of its approach to exploration. This resulted in the incorporation of a new privately-owned exploration company, named Northern Oil Explorers Ltd., expressly to conduct a joint exploration program on behalf of Great Plains, Barber Oil Corporation and Noranda Mines, Limited.

The new program is for a term of five years, expiring December 31, 1971. During this period, Northern Oil Explorers Ltd. will have \$5,000,000 a year available for exploration, a minimum of \$25,000,000 to expend in the search for oil and gas in Canada. Funds that may be necessary for the purchase of proven properties or development of productive properties will be in addition to these amounts. Great Plains has a 40% interest in the program and has committed a total of \$10,000,000. In addition, it has provided exploration personnel, files, maps and related data, in return for a cash payment. Great Plains also supplies non-exploration services and staff and supervises field drilling operations, on a fee basis.

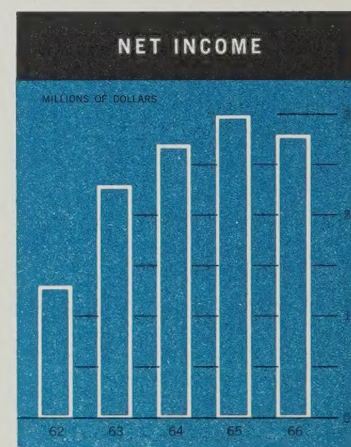
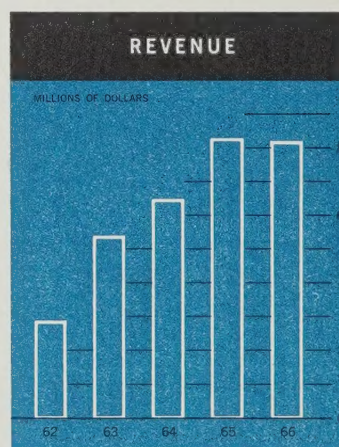
Northern Oil Explorers has already acquired acreage in a number of areas which are prospective for Rainbow-type exploration. With substantial funds available, experienced personnel, and a fresh start, it will be able to dedicate its exploration efforts to new areas that have the potential of yielding large reserves.



The 7,660,730 net acres of land held by Great Plains on September 21, 1966, the effective date of the new program, are excluded from the Northern Oil venture.

Great Plains is continuing its search for base metals. The Company holds 243,000 net acres of ground in Saskatchewan, of which 217,000 acres are located along a trend of sediments where geophysical anomalies and copper shows have been found. Several large mining companies are exploring in this same area.

EARNINGS AND DIVIDEND—Gross revenue for 1966 was \$8,165,287 as compared to \$8,310,739 in 1965. Alberta oil production accounted for slightly less than one-half of this revenue, the balance being derived from the sale of gas, gas liquids, sulphur and Saskatchewan oil production. Net income amounted to \$2,811,304 or 89 cents per share, compared to \$2,996,900 or 95 cents per share in 1965.



A dividend of 35 cents per share was paid on January 5, 1967, to shareholders of record on December 5, 1966. This dividend payment totalled \$1,103,152 and was the third consecutive annual dividend paid by the Company.

PRODUCTION—Production of crude oil and natural gas liquids averaged 7,764 barrels a day and sales of natural gas averaged 18.7 million cubic feet per day, both essentially the same as in the previous year. Sulphur sales in 1966 were 6,891 long tons, compared to 8,877 long tons in the prior year, because of higher inventory sales in 1965.

INDUSTRY COMMENT—There has been an unusually high rate of reserve growth in Canada during the past two to three years. With the sums now being expended on exploration by the industry, further large reserve additions are to be expected. Canada has the reserves and the producibility to expand its markets, while it is increasingly apparent that United States production and facilities need to be further supplemented to meet the needs in that country.

Canadian crude is more than competitive in price with United States domestic production and, if governmental trade negotiations are successful, logical market outlets in the United States can readily be reached by pipeline extensions. Canada's balance of payment deficit with the United States is good reason for the Canadian government to foster further Canadian oil exports; expanded reserves and producibility should give further impetus to the negotiations.

Indications are that the petroleum industry will continue to be faced with rising cost pressures. Pronounced increases are expected in the cost of third party services and wages. At some point these higher exploration and production expenditures will have to be offset by higher crude prices.

COMPANY OUTLOOK—1967 will be a very active exploration year. The program of Northern Oil Explorers, which is already moving rapidly, will reach full momentum and several additional exploration wells will be drilled on Company acreage outside of the Northern Oil program.

The Company's production revenue is expected to show a moderate increase in the coming year. Gas sales will be up slightly as a result of expansion of various gas processing plants and sulphur sales will more than double in 1967. Production of crude oil and natural gas liquids is expected to be at about the same level as in the past year.

ORGANIZATION AND EMPLOYEES—A number of personnel changes took place during the year. Mr. Robert F. Buchanan was appointed Financial Vice-President of the Company and elected to the Board of Directors. Mr. Edward Trafford resigned as Senior Vice-President and a Director to accept a senior position with The Burmah Oil Company Limited in Australia. Mr. Edward A. Earle was appointed Assistant Treasurer. Mr. Robert H. Erickson returned from an assignment in Australia with The Burmah Oil Company Limited to head Northern Oil Explorers Ltd. Mr. Douglas B. Clark resigned as Vice-President (Land) to accept a senior position with Northern Oil Explorers Ltd. Many of the Company's exploration personnel were transferred to Northern Oil Explorers Ltd. and form the nucleus of the staff of that company.

On behalf of the Board,

DAVID E. MITCHELL
President

Calgary, Alberta
January 31, 1967

REVIEW OF OPERATIONS

EXPLORATION AND DEVELOPMENT

DRILLING—The Company participated in the drilling of 79 wells, of which 30 (7.1 net) were exploratory and 49 (13.0 net) were development. An additional 10 exploratory wells, drilled adjacent to Great Plains acreage by other companies, were supported with contributions of acreage or money.

Of the 30 exploratory wells, 13 were in Alberta, 16 were in Saskatchewan and 1 was in Manitoba. Nine of the wells were located on acreage farmed-out and drilled at no cost to Great Plains. This drilling resulted in 2 gas discoveries at Bistcho Lake in northwestern Alberta. This is an area of high exploratory interest and at least 2 more wells will be drilled on these properties in 1967. Three small oil discoveries were also made in other areas.

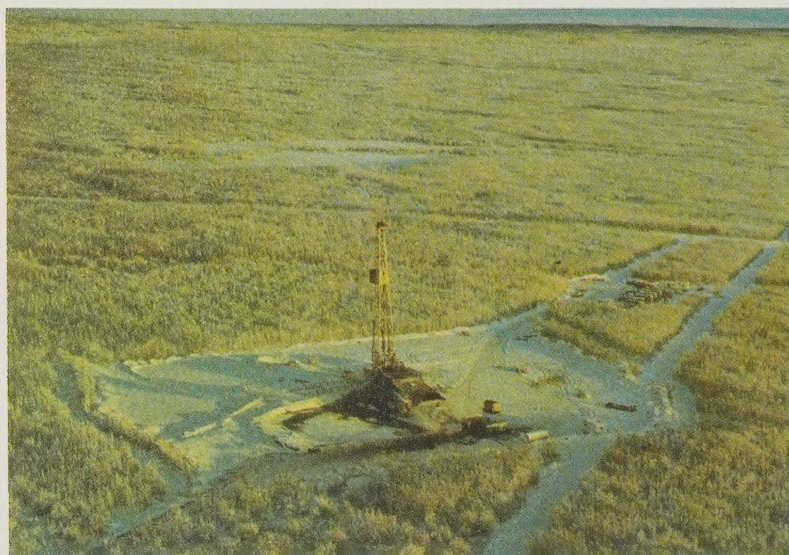
Development drilling resulted in 32 oil wells and 9 gas wells. The major oil development took place at Hamilton Lake where 13 wells were completed and at Pembina where 8 wells were completed. At Mitsue and Leafland, 3 oil wells were completed in each area. Seven of the gas well completions were in the Calgary field where increased deliverability is needed to meet the requirements of the enlarged Petrogas processing plant.

OTHER EXPLORATION—A seismic program was conducted on permits offshore from Nova Scotia. Several seismic programs were also carried out in northern

Alberta, evaluating current holdings and new prospects. Stratigraphic test holes were drilled in one other exploration area.

In continuing its search for base metals, the Company had several geological parties working in the field during the summer of 1966. Geophysical anomalies and mineral shows were evaluated by trenching, stripping, and diamond drilling. Great Plains has 217,000 net acres in the Wollaston Lake area of Saskatchewan, including one mineral prospecting permit of 151,500 acres. The mineralization found in this area to date warrants a continuing exploration program for 1967.

ACREAGE HOLDINGS—The Company owns 7,971,958 net acres out of a total of 10,585,756 gross acres. During the year, 1,911,600 net acres were added through the purchase of crown lands, by acquisition of freehold lands and through farm-ins from other companies. The largest acquisition comprised 496,590 net acres at Birch Hills in northern Alberta. A number of scattered blocks, prospective for Rainbow-type (Keg River) reef, totalling 137,640 net acres were acquired in northwestern Alberta and the Northwest Territories. The rights to 611,158 net acres were relinquished by farmouts, sales of interest, surrenders, or by conversions to petroleum and natural gas leases.



LAND HOLDINGS.. DECEMBER 31st, 1966

	ACRES	
	Gross	Net
PETROLEUM AND NATURAL GAS LEASES		
Alberta	905,933	345,665
Saskatchewan	414,465	28,799
Manitoba	4,100	1,989
British Columbia	47,931	12,916
Yukon and Northwest Territories	37,353	18,678
RESERVATIONS, LICENCES, PERMITS *		
Alberta	881,779	490,112
Saskatchewan	788,640	436,367
Manitoba	1,960	490
British Columbia	71,836	71,836
Yukon and Northwest Territories	1,078,889	787,027
Arctic Islands	4,447,609	3,872,818
Offshore	1,905,261	1,905,261
TOTAL	10,585,756	7,971,958

* Upon completion of certain exploratory operations, the Company is entitled to select leases on approximately one-half of these lands.

PRODUCTION

OIL AND GAS LIQUIDS—Net crude oil and natural gas liquids production averaged 7,764 barrels a day, as compared to 7,805 barrels in the prior year. Production from wells completed during the year and the additional production obtained from a full year's operation of wells completed in 1965 added 320 barrels a day, while enlarged plant facilities added 150 barrels a day of gas liquids. These gains were offset by reductions in the minimum allowable rates of production from pressure maintenance fields in Alberta and from normal production decline in the older wells.

As recently as 1962, nearly 85 percent of the Company's production income was derived from prorated Alberta crude oil production. In 1966 less than 50 percent of production income was derived from this source, while more than 35 percent came from gas, gas liquids and sulphur sales, and 15 percent from Saskatchewan oil production.

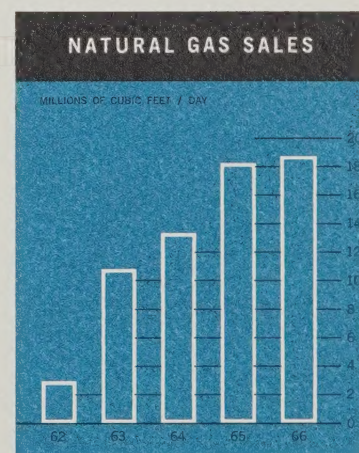
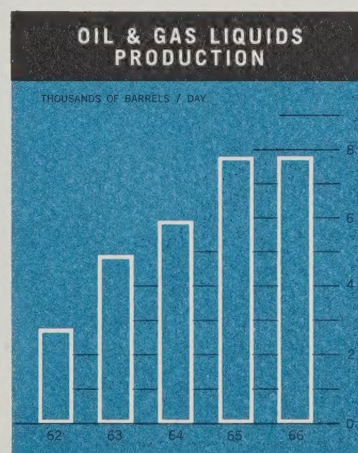
The Company has interests in numerous scattered marginal oil properties which contribute little to revenue. Several of these small properties were sold during the year as part of a program to consolidate operations. Others will be sold when suitable opportunities arise.

THERMAL RECOVERY—The experimental thermal recovery project at Cold Lake evaluating the feasibility of recovering heavy oil continued throughout the year. A downhole mechanical failure has recently occurred which has to be corrected in order to continue evaluation of the economics of this method of production.

NATURAL GAS AND SULPHUR—Sales of natural gas averaged 18.7 million cubic feet per day as compared to 18.2 million cubic feet per day in 1965. During the year, gas processing plants at Minnehik-Buck Lake and Calgary were enlarged, which will result in increased sales of gas in 1967.

A strong demand for sulphur continued in 1966. Sulphur sales amounted to 6,891 long tons, a decrease of 1,986 long tons due to a draw-down of inventories in the

prior year. The price of sulphur continues to advance. The Company averaged \$17.79 per long ton in 1966 as compared with \$12.75 in 1965 and new contracts will raise the average price materially in the coming year. New sulphur recovery plants built at Minnehik-Buck Lake and Harmattan and the enlargement of the Calgary plant will more than double Great Plains sulphur production in 1967.



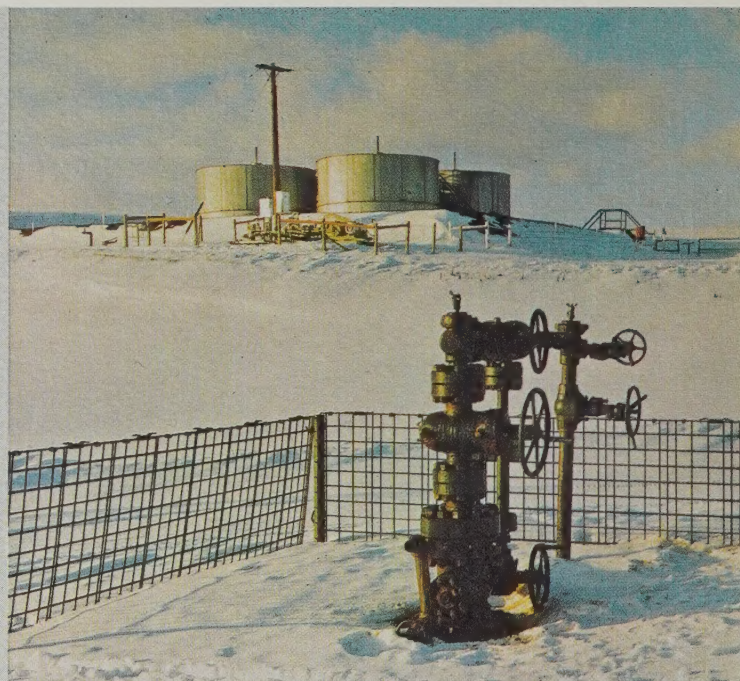
PRODUCING PROPERTIES

	NET WELLS		1966 NET PRODUCTION		
	Oil	Gas	Oil Bbls.	Gas Liquids Bbls.	Gas Mmcf.
ALBERTA					
Bigoray	13.7		151,964		
Calgary		1.2		49,721	1,393
Drumheller	3.0		33,109		
Erskine	4.0		36,248		
Hamilton Lake	14.3		66,757		
Harmattan	7.2	4.6	113,683	445,885	*
Joffre	3.6		33,472		
Minnehik-Buck Lake8	3.0	770	66,331	3,879
Normandville	4.4	2.1	56,716		261
Pembina	133.2	.1	923,982	16,928	269
Turner Valley	20.7	1.9	58,878	3,212	114
Other Areas	22.2	3.2	180,908	4,682	750
SASKATCHEWAN					
Illerbrun6		33,108		
Pinto	5.9		37,167		† 76
Steelman	11.4		120,888		† 64
Weyburn	5.2		120,088		
Workman	8.9		90,268		
Other Areas	21.3		69,951		† 12
Royalty Interests			119,050		
	280.4	16.1	2,247,007	586,759	6,818

The Company also owns 15.5 net capped gas wells.

* Gas is being returned to the reservoir after the removal of liquids.

† Casinghead gas.



RESERVES—The Company estimates its total net proved reserves as of December 31, 1966, after deduction of interests of partners and royalty, as follows: 31.3 million barrels of crude oil; 9.3 million barrels of condensate and other natural gas liquids; 329,000 million cubic feet of saleable natural gas and 478,000 long tons of sulphur. Essentially all of these reserves are developed by present wells. Except for Harmattan gas and a few minor gas areas, all of these reserves are on production. Heavy oil reserves of the Athabasca Tar Sands and in the experimental area of Cold Lake are not included in these reserve estimates.

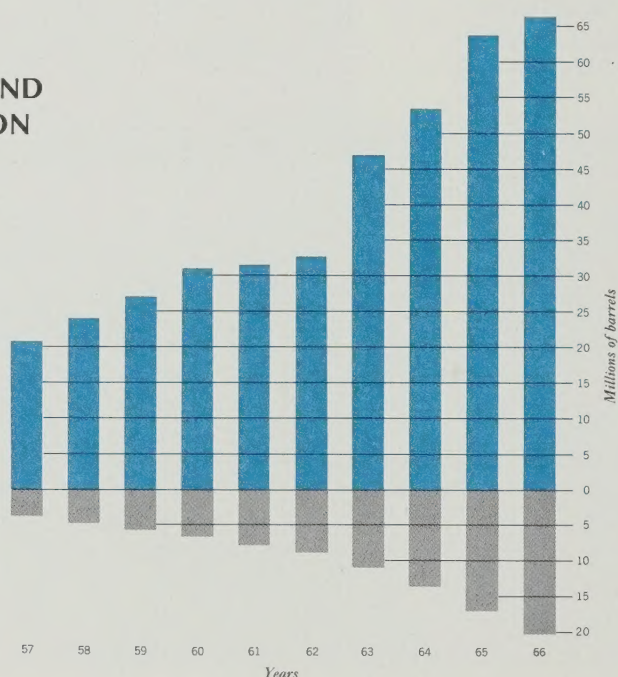
Only those reserves considered proved for commercial production to a high degree of probability are included, the estimates being based on actual well tests, production performance, reasonable interpretations of

geologic structure and known continuity of reservoirs. These reserves are considered to be recoverable by primary methods as a result of energy inherent in the reservoirs, except for those fields and reservoirs where pressure maintenance projects are in actual operation. Increased recovery as a result of pressure maintenance and secondary recovery has been assigned only to the extent considered justified by analyses of performance data available at the time of making the estimates.

At Harmattan, where 40 percent of the Company's gas reserve is located, current conservation regulations prohibit the production of gas in order to maintain pressure in the associated oil pools. This gas will yield revenue as soon as its production will no longer materially affect recovery of the oil; currently, only gas liquid revenue is being derived from gas recycling operations.

PROVED NET RESERVES AND CUMULATIVE PRODUCTION

(in equivalent barrels)



All royalties and partners' interests have been deducted to calculate "net reserves". The term "equivalent barrels" as used herein is the total of oil, gas liquids, natural gas and sulphur.

Reserves and production have been converted to barrels at a rate of 15,000 cubic feet per barrel for gas and 8 barrels per long ton for sulphur, this being the approximate current price equivalent.

■ Reserves
■ Cumulative Production

FINANCIAL REVIEW

In 1966 the Company adopted, with retroactive application, the full cost method of accounting. Under this method, all costs relating to the exploration for and development of oil and gas reserves are capitalized in the accounts. These costs are depleted on a composite unit of production method based on the total estimated proved developed reserves of the Company. Further information on these changes in accounting policy is set forth in Note 1 to the Financial Statements.

Gross revenue of the Company in 1966 totalled \$8,165,287, a decrease of approximately 2 percent from the \$8,310,739 received in 1965. Consolidated net income before provision for deferred income taxes amounted to \$3,307,406 and after provision for such taxes totalled \$2,811,304, or 89 cents per share. The comparative figures for 1965 were \$3,525,765 and \$2,996,900. These decreases primarily resulted from a reduction in Alberta

crude oil production allowables under the government's new proration system which went into effect May 1, 1965, together with increased lease operating costs where present inflationary trends are particularly noticeable.

A dividend in the amount of 35 cents per share was paid on January 5, 1967 to shareholders of record on December 5, 1966. This was the third consecutive annual dividend paid by the Company. The rate of withholding tax on this dividend to non-residents is 10 percent. As in past years, Canadian shareholders are entitled to claim a full 20 percent depletion allowance on this dividend.

The Company is not currently taxable and has sufficient tax credits available to defer any such payments for several years. However, in determining net income, a provision for deferred income taxes has been made on the basis set forth in Note 5 to the Financial Statements.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the years ended December 31, 1966 and 1965

FUNDS WERE OBTAINED FROM:

	1966	1965 ⁽¹⁾
Revenue	\$ 8,165,287	\$ 8,310,739
Less: Operating, general and administrative and interest expenses	2,382,409	2,213,035
Cash generated from operations	5,782,878	6,097,704
Release of exploration data	450,000	—
Issue of capital stock	—	1,288,000
Increase in long-term debt	2,375,000	4,900,000
Working capital of acquired subsidiaries	—	237,314
Miscellaneous	(15,435)	156,657
	<u>8,592,443</u>	<u>12,679,675</u>

FUNDS WERE USED FOR :

Exploration and development expenditures	5,414,860	3,481,482
Acquisition of subsidiaries	—	6,364,198
Reduction of long-term debt	1,146,110	4,050,834
Dividends declared	1,103,152	1,103,152
	<u>7,664,122</u>	<u>14,999,666</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 928,321</u>	<u>\$ (2,319,991)</u>

⁽¹⁾ Adjusted retroactively, where applicable, to reflect change in accounting methods.



CONSOLIDATED BALANCE SHEET AS

ASSETS

	1966	1965
CURRENT ASSETS		
Cash in banks	\$ 512,928	\$ 53,536
Funds on guaranteed deposit	1,000,000	—
Accounts Receivable	2,037,946	1,721,897
Inventories—		
Crude oil, at market price	44,855	59,590
Materials and supplies, at lower of cost or market	171,613	165,526
	<u>3,767,342</u>	<u>2,000,549</u>
 PROPERTY, PLANT AND EQUIPMENT—at cost (Note 1)		
Petroleum and natural gas properties including exploration and development thereof	54,483,969	51,593,324
Plant, production and other equipment	11,380,597	10,325,448
	<u>65,864,566</u>	<u>61,918,772</u>
Less: Accumulated depletion and depreciation (Note 6)	16,538,261	15,081,855
	<u>49,326,305</u>	<u>46,836,917</u>
 OTHER ASSETS		
Prepaid expenses and sundry deposits	220,042	204,672
Investment in pipeline companies, at cost	11,355	11,290
	<u>231,397</u>	<u>215,962</u>
	 <u><u>\$53,325,044</u></u>	 <u><u>\$49,053,428</u></u>

The accompanying notes are an in

AT DECEMBER 31, 1966 AND 1965

LIABILITIES

	1966	1965
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 1,753,888	\$ 1,217,991
Dividend payable	1,103,152	1,103,152
Current portion of long term debt	302,575	—
	<u>3,159,615</u>	<u>2,321,143</u>
LONG-TERM DEBT (Note 2)	<u>4,778,055</u>	<u>3,549,165</u>
DEFERRED INCOME TAXES (Note 5)	<u>3,198,771</u>	<u>2,702,669</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 3)		
Authorized		
6,000,000 shares at \$1 each, par value		
Issued and fully paid		
3,151,864 shares	3,151,864	3,151,864
CONTRIBUTED SURPLUS, per statement attached .	24,116,933	24,116,933
EARNED SURPLUS, per statement attached	14,919,806	13,211,654
	<u>42,188,603</u>	<u>40,480,451</u>
Signed on behalf of the Board of Directors:		
Lewis W. MacNaughton, Director		
David E. Mitchell, Director		
	<u>\$53,325,044</u>	<u>\$49,053,428</u>

part of the financial statements.



CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the years ended December 31, 1966 and 1965

	1966	1965
BALANCE at beginning of year	\$13,211,654	\$ 2,527,163
Adjustments to effect change in accounting methods (Note 1)	—	8,790,743
	<u>13,211,654</u>	<u>11,317,906</u>
Net income for the year	<u>2,811,304</u>	<u>2,996,900</u>
	<u>16,022,958</u>	<u>14,314,806</u>
Dividend declared	<u>1,103,152</u>	<u>1,103,152</u>
BALANCE at end of year	<u><u>\$14,919,806</u></u>	<u><u>\$13,211,654</u></u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

For the years ended December 31, 1966 and 1965

	1966	1965
BALANCE at beginning of year	\$24,116,933	\$22,957,733
Premium on issue of capital stock	—	1,159,200
BALANCE at end of year	<u><u>\$24,116,933</u></u>	<u><u>\$24,116,933</u></u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31, 1966 and 1965

	1966	1965
INCOME		
Production income	\$ 8,151,214	\$ 8,263,798
Interest, dividends and other income	14,073	46,941
	<u>8,165,287</u>	<u>8,310,739</u>
EXPENSE		
Operating expense	1,913,495	1,742,201
General and administrative expense	201,968	200,911
Interest expense	266,946	269,923
	<u>2,382,409</u>	<u>2,213,035</u>
CASH GENERATED FROM OPERATIONS	<u>5,782,878</u>	<u>6,097,704</u>
Provision for depletion	2,041,495	2,136,626
Provision for depreciation	433,977	435,313
	<u>2,475,472</u>	<u>2,571,939</u>
NET INCOME BEFORE PROVISION FOR DEFERRED INCOME TAXES	3,307,406	3,525,765
Provision for deferred income taxes (Note 5)	496,102	528,865
NET INCOME FOR THE YEAR	<u>\$ 2,811,304</u>	<u>\$ 2,996,900</u>

The accompanying notes are an integral part of the financial statements.

GREAT PLAINS

NOTES TO FINANCIAL STATEMENTS

as at December 31, 1966

1. ACCOUNTING POLICIES

(i) Principles of Consolidation

Included in the consolidated statements are the accounts of all subsidiaries of the Company. The excess of the consideration paid for the shares of purchased subsidiaries over their net book value at dates of acquisition is included in property, plant and equipment in the consolidated balance sheet.

(ii) Change in Accounting Methods

Prior to 1966, the companies followed the practice of expensing all exploration charges, non-productive development expenditures, and carrying charges on all properties. Undeveloped lease acquisition costs were initially capitalized and amortized over the average period of retention of such properties. The costs of productive leases, and the developing and equipping thereof, were capitalized and amortized on a unit of production basis. No provision was made for deferred income tax liability. (Note 5).

During the year, the companies retroactively changed to the "full cost method of accounting" wherein all costs relative to the exploration for and the development of oil and gas reserves are capitalized. These costs, including all production equipment and gas facilities, are amortized on the composite unit of production method based on total estimated proved developed reserves. The companies also retroactively provided for deferred income taxes. The retroactive adjustments described above resulted, as at January 1, 1966, in an increase in consolidated net property, plant and equipment of \$11,981,234, a credit to deferred income taxes of \$2,702,669 and a credit to earned surplus of \$9,278,565 of which \$487,822 applied to 1965 and the remaining \$8,790,743 to prior years. Consolidated net income, including special credit of \$450,000, calculated on the previous basis, would have been \$2,052,972 for 1966. Comparative figures for 1965 have been restated in the accompanying financial statements to conform to the above policy changes.

2. LONG-TERM DEBT

Details of the companies' long-term debt are as follows:

	1966	1965
5¾% Note payable to an affiliated company	\$1,225,000	\$ 500,000
6% Production bank loans	3,855,630	3,049,165
	<u>5,080,630</u>	<u>3,549,165</u>
Less amounts included in current liabilities	302,575	—
	<u>\$4,778,055</u>	<u>\$3,549,165</u>

Production bank loans mature on or before December 31, 1971, are payable in monthly installments and are secured by an assignment of the companies' interests in certain producing properties.

3. CAPITAL STOCK

At December 31, 1966, 60,000 shares of capital stock are reserved for issuance under an Incentive Stock Option Plan. Options granted to date under this plan are exercisable cumulatively in four equal installments commencing one year after date of the option. To December 31, 1966, options have been granted on 42,500 shares which are exercisable at prices ranging from \$9.90 to \$12.15 per share effective from February 1, 1964, and all expire on or before March 29, 1971.

4. COMMITMENTS

Under the terms of an agreement between the Company, Barber Oil Corporation and Noranda Mines, Limited, the Company has agreed to expend \$2,000,000 per year for each of the next five years on exploration operations in Canada. Such exploration will be conducted in the name of Northern Oil Explorers Ltd. on behalf of the above participants.

5. INCOME TAXES

For Canadian income tax purposes, exploration and development expenditures, including costs of certain oil and gas rights, may be deducted to the extent of income as defined; any excess may be carried forward to subsequent years. It is the policy of the companies to claim such maximum allowances together with capital cost allowances (depreciation) which are in excess of the related charges to income and thus no income taxes are currently payable and sufficient tax credits are available to defer any such payments for several years. In determining net income the companies make provision for deferred income taxes, with retroactive application, at rates which, it is estimated, will be exigible against the aggregate incomes of the companies for the period from inception into the foreseeable future. Such amounts are credited to "Deferred Income Taxes" and will be taken into income of future years when income taxes payable are in excess of then current provisions.

6. STATUTORY INFORMATION

(a) Remuneration paid to Directors during 1966 as Directors and Officers of the Companies totalled \$110,381.

(b) Accumulated depletion and depreciation as at December 31, 1966 is as follows:

Depletion of petroleum and natural gas properties	\$14,125,710
Depreciation of plant, production and other equipment	2,412,551
	<u>\$16,538,261</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accompanying consolidated financial statements of Great Plains Development Company of Canada, Ltd. and subsidiaries for the year ended December 31, 1966 comprising the consolidated balance sheet as at that date and the consolidated statements of income, earned surplus and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied, except for the change in accounting methods referred to in Note 1, in which we concur, on a basis consistent with that of the preceding year.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

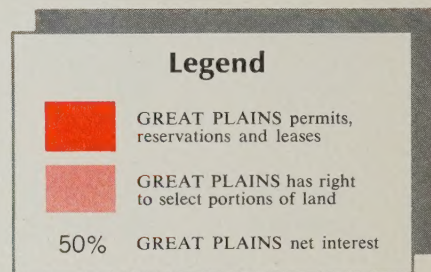
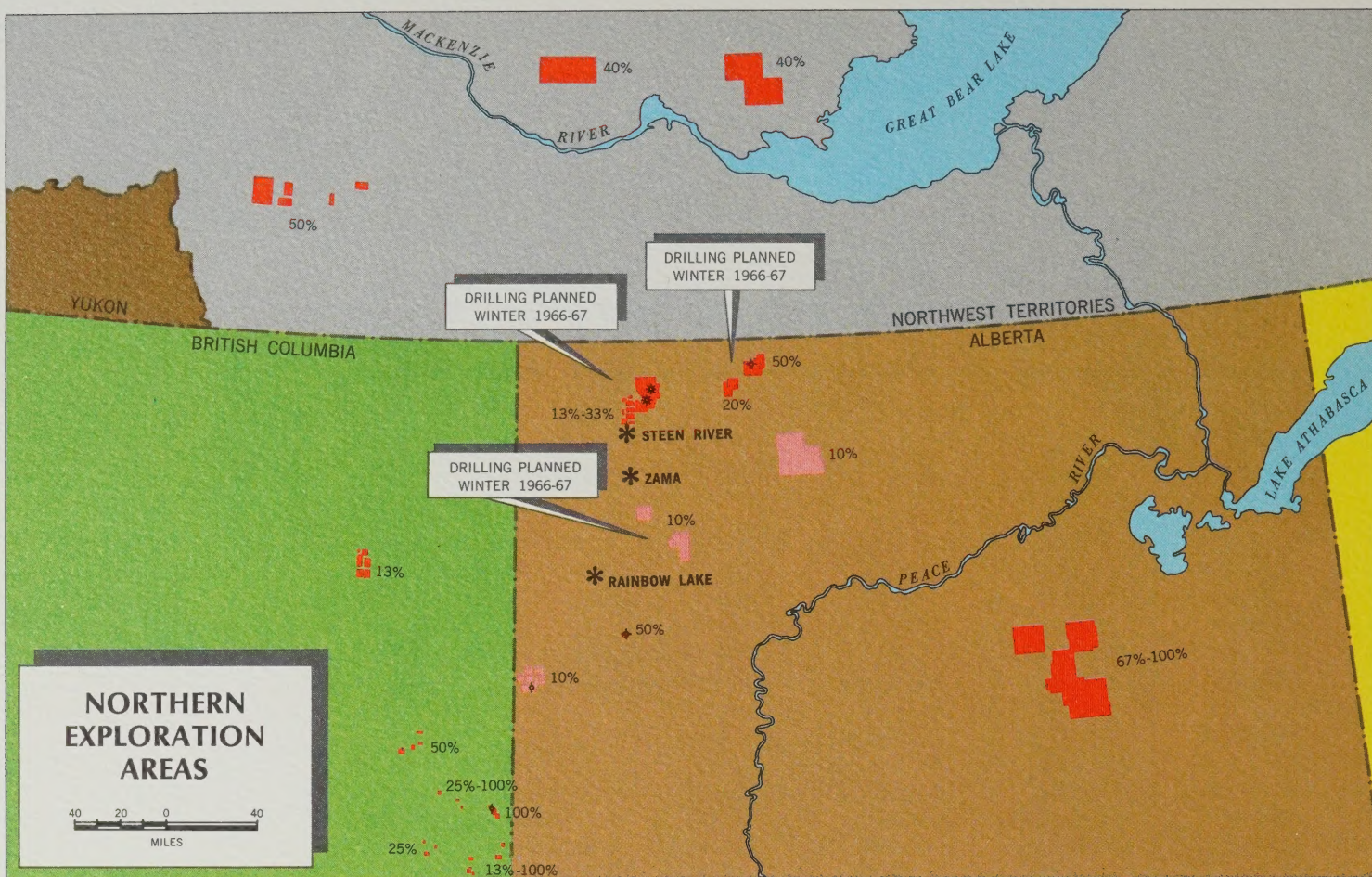
Calgary, Alberta.
January 24, 1967.

GREAT PLAINS

TEN-YEAR STATISTICAL SUMMARY

	1966	1965	1964
FINANCIAL (1)			
Revenue	\$ 8,165,287	8,310,739	6,526,700
Operating expense	\$ 1,913,495	1,742,201	1,167,930
General and administrative expense	\$ 201,968	200,911	349,154
Interest expense	\$ 266,946	269,923	92,058
Cash generated from operations	\$ 5,782,878	6,097,704	4,917,558
Net income, after deferred income tax provision	\$ 2,811,304	2,996,900	2,669,715
Per share	89¢	95	88
Dividend	\$ 1,103,152	1,103,152	906,889
Per share	35¢	35	30
Working capital	\$ 607,727	(320,594)	1,999,397
Long-term debt	\$ 4,778,055	3,549,165	—
Shares outstanding	3,151,864	3,151,864	3,023,064
Shareholders' equity per share	\$ 13.39	12.84	12.34
RESERVES			
Crude oil, net barrels	31,325,000	29,012,000	20,594,000
Natural gas liquids, net barrels	9,243,000	9,924,000	9,698,000
Natural gas, net millions of cubic feet	329,000	323,000	310,000
Sulphur, net long tons	478,000	380,000	306,000
PROPERTIES			
Acres, gross	10,585,756	9,014,205	8,029,126
Net	7,971,958	6,671,516	6,034,869
PRODUCTION			
Oil and gas liquids, net barrels	2,833,766	2, 848,863	2,175,537
Daily average	7,764	7,805	5,944
Average wellhead price per barrel	\$ 2.41	2.45	2.46
Natural gas, net millions of cubic feet	6,818	6,656	4,902
Daily average	18.7	18.2	13.3
Average wellhead price per Mcf	17.8¢	17.6	17.7
Sulphur, net long tons	6,891	8,877	—
Average price per long ton	\$ 17.79	12.75	—
OIL WELLS			
Gross	4,605	4,543	2,282
Net	280.4	284.2	196.0
GAS WELLS			
Gross	217	160	140
Net	31.6	32.1	31.0
EMPLOYEES			
Number of employees	90	94	94
(1) Adjusted retroactively, where applicable, to reflect change in accounting methods.			

1963	1962	1961	1960	1959	1958	1957
411,449	2,933,257	2,823,525	2,497,289	2,511,159	2,466,931	2,719,681
908,640	477,915	406,241	387,606	367,527	410,742	422,610
340,967	140,464	122,328	86,503	114,031	152,252	118,847
214,768	200,749	256,455	259,699	266,005	275,332	279,881
947,074	2,114,129	2,038,501	1,763,481	1,763,596	1,628,605	1,898,343
276,395	1,273,882	1,168,205	988,381	978,332	774,092	943,840
76	95	95	96	1.00	80	98
—	—	—	—	—	—	—
—	—	—	—	—	—	—
101,613	6,883,560	5,465,178	3,613,493	3,002,864	2,527,679	1,652,203
656,000	4,939,500	5,204,500	6,487,500	6,528,000	6,817,500	6,921,000
001,314	1,341,092	1,236,092	1,033,442	983,042	971,642	965,942
11.77	11.50	10.14	8.05	6.98	5.91	5.08
068,000	11,167,000	11,117,000	12,229,000	12,448,000	13,200,000	9,900,000
905,000	8,896,000	8,928,000	8,137,000	5,946,000	3,700,000	3,700,000
269,060	189,300	171,440	158,180	128,489	105,469	105,469
—	—	—	—	—	—	—
698,259	2,043,757	899,365	990,677	1,073,395	987,582	774,597
238,967	1,637,885	627,232	716,264	685,008	599,698	305,647
774,683	1,011,417	1,095,044	992,931	983,686	941,912	1,012,800
4,862	2,771	3,000	2,713	2,695	2,581	2,775
2.48	2.50	2.37	2.34	2.38	2.52	2.58
3,970	1,068	229	—	—	—	—
10.8	2.9	.6	—	—	—	—
18.0	16.4	13.3	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
1,901	563	487	477	407	400	398
189.4	80.2	92.0	91.1	77.1	75.2	74.9
102	55	36	31	23	22	21
26.7	14.1	9.4	7.8	8.4	7.9	7.5
81	60	62	61	67	76	84



Seismic ship "Arctic Endeavor" leaves Nova Scotia port to conduct offshore operations.

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

NET ACREAGE HOLDINGS DECEMBER 31, 1966

ALBERTA	835,777
SASKATCHEWAN	465,166
BRITISH COLUMBIA	84,752
MANITOBA	2,479
YUKON AND NORTHWEST TERRITORIES	805,705
ARCTIC ISLANDS	3,872,818
OFFSHORE	1,905,261
	<hr/>
	7,971,958
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Map pins show the extent of land holdings on a representative basis.

The outlined portion is the area covered by the detailed map on the opposite page.

